

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 /091 W
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R 171530Z AUG 78
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 3184
INFO EC COLLECTIVE

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E.O. 11652: GDS
TAGS: EFIN, NL
SUBJECT: RECENT DUTCH COMMENTS ON PROPOSED EUROPEAN MONETARY SYSTEM
AND THE DOLLAR

REF: THE HAGUE 4057, THE HAGUE 3908

1. SUMMARY. OFFICIAL DUTCH ATTITUDE TOWARD EUROPEAN CURRENCY UNION (ECU), AS EXPRESSED BY FINANCE MINISTER ANDRIESEN AND NEDERLANDSCHE BANK DIRECTOR SZASZ, CONTINUES TO BE SKEPTICAL IF NOT NEGATIVE. DUTCH STILL BELIEVE DOLLAR PROBLEMS CAN BEST BE SOLVED BY INTERNAL U.S. MEASURES TO DEAL WITH INFLATION, OIL, AND TRADE. END SUMMARY.

2. ANDRIESEN TOLD CHARGE AUGUST 14 THAT HE GENERALLY FAVORED THE PRINCIPLE OF SEEKING A FORM OF ECU AS SURFACED AT THE BREMEN MEETING. NEVERTHELESS, HE REPEATED HIS EARLIER CRITICISM OF LACK OF PRIOR CONSULTATION AND CONCLUDED THAT IT WOULD BE DIFFICULT TO ACHIEVE VERY MUCH FROM ANY ECU AS LONG AS THE ECONOMIC PERFORMANCES AND INFLATION RATES OF SOME OF THE MEMBER STATES, NOTABLY ITALY, THE U.K., AND IRELAND, ARE OUT OF LINE. HE ALSO EXPRESSED MISGIVINGS ABOUT
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ADJUSTING AN ECU TO ACCOMMODATE THE POTENTIAL NEW AND POORER MEMBERS. IN ASSESSING THE PROSPECTS FOR AN EC COMMITMENT TO AN ECU, ANDRIESEN THOUGHT THE CHANCES WERE FAIRLY DIM UNLESS, FOR EXAMPLE, THE NEW EUROPEAN PARLIAMENT NEXT YEAR FELT THE NEED FOR A PARLIAMENTARY SUCCESS". THAT COULD CONCEIVABLY BE THE IMPETUS WHICH WOULD SERVE TO PUSH THE ECU CONCEPT OVER THE TOP. IN A BRIEF

COMMENT ON THE PROBLEMS FACING THE DOLLAR, ANDRIESSEN RE-ITERATED HIS EARLIER VIEW THAT THE U.S. MUST START TO SOLVE ITS INTERNAL ECONOMIC PROBLEMS OF INFLATION, OIL, AND BALANCE OF PAYMENTS IF THE DOLLAR SLIDE IS TO BE HALTED.

3. CENTRAL BANK DIRECTOR SZASZ RECENTLY TOLD AN EMBASSY OFFICER THAT THE ECU HAD THE LAUDABLE GOAL OF INCREASING MONETARY STABILITY, BUT THAT IT WAS DIFFICULT TO SEE HOW A FULL SCALE UNION COULD BE ACHIEVED WHILE THERE WERE SUCH LARGE DIFFERENCES AMONG EUROPEAN ECONOMIES ESPECIALLY REGARDING INFLATION RATES. HE NOTED THAT ANY SYSTEM LINKING THE DEUTCHEMARK AND THE GUILDER TO THE BRITISH POUND AND THE ITALIAN LIRA WOULD HAVE TO PROVIDE EXTENSIVE CREDITS OR OTHER FACILITIES TO HOLD THE SYSTEM TOGETHER. HE THOUGHT THE PROSPECT OF SPAIN, PORTUGAL, AND GREECE JOINING THE EC WOULD MAKE MONETARY UNION ALL THE MORE DIFFICULT. HE SAID THE EFFECT WOULD BE TO FORM TWO CURRENCY AREAS IN THE EC, AND HE FOUND IT DIFFICULT TO ENVISAGE WHAT FORM OF LINKAGE MIGHT RESULT. GIVEN ALL THESE DIFFICULTIES, HE SAID THE DUTCH BELIEVE THAT A TIGHTER SNAKE IS THE BEST MONETARY PROGRAM FOR THE PRESENT. (SZASZ DID NOT MAKE CLEAR WHAT HE MEANT BY "TIGHTER", BUT IT SEEMED TO INCLUDE A POSSIBLE NARROWING OF THE ALLOWED FLUCTUATION BANKDS, PLUS PERHAPS A NEW CREDIT ARRANGEMENT SO LONG AS THE DUTCH WERE NOT EXPECTED TO PUT IN A LOT MORE MONEY. IN ESSENCE, NOT A WHOLE LOT MORE COULD BE DONE UNTIL LIMITED OFFICIAL USE

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EUROPEAN INFLATION RATES HAVE MORE CLOSELY CONVERGED.)

4. SZASZ SAID THE DECLINE IN THE DOLLAR IN THE PAST YEAR HAS GIVEN ECU DISCUSSIONS AN AIR OF URGENCY. IN PREVIOUS YEARS THE GERMANS HAD ARGUED THAT MONETARY UNION MUST FOLLOW ECONOMIC UNION, THE FRENCH THE REVERSE. NOW THE SCHMIDT GOVERNMENT HAS, PARTLY FOR POLITICAL REASONS AND PARTLY IN REAL ALARM OVER THE DROP OF THE DOLLAR, COME CLOSER TO THE FRENCH POSITION. THE BUNDESBANK, HOWEVER, HAS NOT BEEN ENTIRELY CONVERTED AND IS UNENTHUSIASTIC ABOUT THE BREMEN ECU PROPOSAL. ALTHOUGH A DEADLINE FOR SOME ECU DECISIONS WAS SET AT BREMEN (JANUARY 1979), SZASZ WAS DOUBTFUL ANY BASIC DECISIONS COULD BE EXPECTED BY THEN AND IMPLIED THAT THIS WOULD BE IN LINE WITH DUTCH INTERESTS.

NOTE BY OC/T: MESSAGE DELAYED IN TRANSMISSION.

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5. FORMER FOREIGN MINISTER NORBERT SCHMELZER MADE SIMILAR POINTS ABOUT THE ECU IN RESPONSE TO QUESTIONS AUGUST 16 AT A YOUNG FEDERALIST SEMINAR ON THE FOREIGN POLICE OF THE COMMUNITY AT SANTPOORT. HE SAID THE NETHERLANDS AGREES IN PRINCIPLE WITH THE BREMEN PROPOSALS BUT WOULD BE RELUCTANT TO GIVE ITS APPROVAL UNTIL THE DIFFERENCES AMONG THE ECONOMIES OF THE MEMBER STATES ARE REDUCED. SCHMELZER, WHO IS NOW WITH AKZO BUT REMAINS CLOSE TO THE GOVERNMENT, SAID THAT ECU COULD NOT BE A REALISTIC CONCEPT WITHOUT MUCH GREATER CONVERGENCE OF THE NINE'S ECONOMIES AND THAT PRIORITY SHOULD FIRST BE GIVEN TO ATTAINING THAT CONVERGENCE.

6. COMMENT. OUR READING AS A RESULT OF THESE CONVERSATIONS IS THAT IF THE DUTCH ARE CAJOLED OR FORCED INTO AN ECU ALONG THE LINES THEY PRESENTLY FORESEE, THEY WILL GO IN RELUCTANTLY AND WITH MISGIVINGS. ANDRIESEN WAS QUITE CLEAR IN HIS COMMENT THAT THE DUTCH DID NOT FEEL THAT THE STRONGER CURRENCY COUNTRIES COULD UNDERTAKE TO SUPPORT THE WEAKDRONES, PARTICULARLY IF THE LATTER WERE UNWILLING TO MAKE THE STRUCTURAL CHANGES IN THEIR ECONOMIES THE DUTCH
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CONSIDER NECESSARY. ANDRIESEN IS PROBABLY STRENGTHENED IN THIS VIEW AS HE CONTEMPLATES THIS FALL'S MAJOR ECONOMIC DEBATE IN THE NETHERLANDS, WHEN HE WILL HAVE TO DEFEND THE VAN AGT GOVERNMENT'S BUDGET EFFORTS TO REDUCE THE GROWTH IN PUBLIC EXPENDITURES.

A SECOND ELEMENT WHICH CONTINUES TO BE HARPED ON IS THE
DUTCH DISSATISFACTION AT BEING EXPECTED TO GO ALONG WITH
WHAT THE BIG BOYS DECIDE--WITHOUT THE COURTESY OF PRIOR
CONSULTATION. ANDRIESSEN MADE IT CLEAR THAT THE OTHER SMALLER
EC COUNTRIES FELT THE WAY THE DUTCH DID. THEIR PIQUE IN
THIS REGARD COULD WELL BE TRANSLATED STUBBORN HAGGLING
WHEN THE ECU IDEA BECOMES A REAL PROPOSAL.
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Message Attributes

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